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No. 96-1960

In the Supreme Court of the United States

OCTOBER TERM, 1997

WANG LABORATORIES, INC.,
Petitioner,

v.

MITSUBISHI ELECTRONICS AMERICA, INC. and MITSUBISHI ELECTRIC CORPORATION

On Petition For A Writ Of Certiorari To The United States Court of Appeals For The Federal Circuit

PETITIONER'S REPLY MEMORANDUM

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PETITIONER'S REPLY MEMORANDUM

Wang's petition for a writ of certiorari explained why this Court should review a decision of the Federal Circuit that is based on a newly-fashioned standard for implied licenses that departs from 70 years of settled patent jurisprudence. Mitsubishi's brief in opposition has no answer for the petition's contention that the opinion below crafted a standard for implied patent licenses that is outside the bounds of traditional estoppel theories. Far from rebutting the petition, Mitsubishi extols this aspect of the Federal Circuit's decision as a virtue. Indeed, Mitsubishi views as the "fundamental flaw" in Wang's position "its steadfast refusal to recognize implied license as a defense separate both from legal estoppel and equitable estoppel." Br. in Opp. 3. There is, accordingly, no dispute on the holding below. In these circumstances,

the case clearly presents an issue that fully warrants this Court's review. Mitsubishi's brief in opposition raises only a few points that merit brief response.

1. The brief in opposition completely ignores Wang's argument that in the 70 years since this Court's decision in *De Forest Radio Telephone Co. v. United States*, 273 U.S. 236 (1927), courts have construed an implied license based on the "course of conduct" between the parties to be essentially the equivalent of an implied license based on equitable estoppel. *See* Pet. 12. Indeed, respondent does not attempt to distinguish or explain the cases Wang cited in support of its argument. Mitsubishi merely states that *De Forest*'s so-called "course of conduct" test is the progenitor of an entirely different line of implied licenses, distinct from implied licenses based on legal or equitable estoppel. Not surprisingly, Mitsubishi does not and cannot cite any authority that supports this proposition.[1]

2. Mitsubishi merely restates the issue presented in Wang's petition without resolving the fundamental problem with the decision below: when the Federal Circuit created the new "course of conduct" standard, it failed to articulate any rules for its application. Without suggesting what the boundaries

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[1] The only case Mitsubishi cites to support its argument is *McCoy v. Mitsuboshi Cutlery, Inc.*, 67 F.3d 917 (Fed. Cir. 1995), *cert. denied*, 116 S. Ct. 1286 (1996). This case is wholly inapposite. First, the parties in *McCoy*, unlike the parties here, had an underlying express contract permitting the defendant to use or manufacture the patented technology. Second, the court in *McCoy* did not find an implied license based upon one of the estoppel principles, as courts since *De Forest* have done, but rather decided the case solely on contract principles under the Texas Uniform Commercial Code. 67 F.3d at 922.

of this new category might be, Mitsubishi merely says that wherever the bounds may be drawn it would be entitled to an implied license. But that is precisely the problem here. Absent clarification by this Court, the Federal Circuit's decision will generate confusion and unpredictability for courts and parties that are faced with this issue in the future.

Furthermore, if, as the Federal Circuit in this case held and as Mitsubishi argues, an implied license can be based on something as vague and undefined as the entire "course of conduct" between the parties, then there would be no need for the estoppel doctrines. Indeed, this new "course of conduct" standard wholly engulfs the doctrines of implied license based on legal and equitable estoppel and renders them superfluous.

Until the Federal Circuit's decision below, courts had interpreted this Court's decision in *DeForest* to mean that the "course of conduct" between the parties should *inform* the jury's deliberations regarding the existence of an implied license. That correct view is reflected in the jury instruction in this case. The court instructed the jury that

> [i]n order to proved [sic] the defense of implied license, [Mitsubishi] must establish by a preponderance of the evidence that (1) there was an existing relationship between Wang and [Mitsubishi]; (2) within that relationship, Wang transferred a right to use the SIMM invention to [Mitsubishi]; (3) the right was transferred for valuable consideration; and (4) Wang has now denied the existence of the right it transferred to [Mitsubishi].

Pet. App. A11-A12. The jury was also instructed that "*[i]n deciding whether [Mitsubishi had] proved the existence of an implied license, [it could] consider statements and conduct of Wang ...*" App. A12 (emphasis added). Thus, contrary to the Federal Circuit's holding, the "course of conduct" between the parties was not designed, in and of itself, to *create* an implied license outside the bounds of estoppel principles. Rather, it was meant to be a source of evidence upon which the jury could draw in determining whether Mitsubishi had satisfied the four prongs of the implied license defense.

3. Mitsubishi has no defense for the actual holding in this case: a ***royalty-free*** implied license running against the holder of a valid patent. Given the doctrinal infirmity of the unprecedented judgment below and the uncertainty it will generate in important legal and commercial decisionmaking, this case is well-suited for this Court's review.

The petition for writ of certiorari should be granted.

Respectfully submitted.

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